

41-1020

Township of Algoma, Michigan

(Kent)

Comprehensive Annual Financial Report

Year Ended March 31, 2004



BDO Seidman, LLP
Accountants and Consultants

Auditing Procedures Report

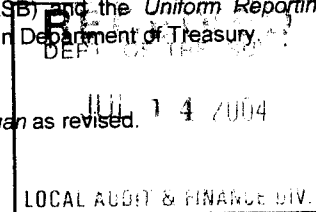
Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF ALGOMA, MICHIGAN	County KENT
Audit Date 3/31/04	Opinion Date 5/24/04	Date Accountant Report Submitted to State: 7/14/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BDO SEIDMAN, LLP			
Street Address 99 MONROE AVENUE NW, SUITE 800		City GRAND RAPIDS	State MI
Accountant Signature <i>Steve Harny, CPA / BDO Seidman, LLP</i>		ZIP 49503	Date 7/8/04

Township of Algoma, Michigan

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Township of Algoma, Michigan

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Accountants and Consultants

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Independent Auditors' Report

Board of Trustees
Township of Algoma
Rockford, Michigan

We have audited the accompanying general purpose financial statements of the Township of Algoma, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Algoma's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements present fairly, in all material respects, the financial position of the Township of Algoma, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Township of Algoma, Michigan, taken as a whole. The accompanying supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Algoma, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and is, in our opinion, fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

BDO Seidman, LLP

Grand Rapids, Michigan
May 24, 2004

General Purpose Financial Statements

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>
	General	Special Revenue	Sewer Operations and Maintenance
<i>March 31, 2004</i>			
Assets			
Cash (Note 2)	\$212,931	\$158,488	\$ 49,661
Investments (Note 2)	209,648	61,368	127,132
Receivables:			
Taxes	14,106	16,700	-
Special assessments	-	1,852	10,580
Other	8,994	50,000	7,098
Due from other governmental units	69,388	-	-
Due from other funds	959	-	-
General fixed assets (Note 3)	-	-	-
Sewer facilities, net of \$959,020 accumulated depreciation	-	-	1,034,179
Amount to be provided for debt retirement	-	-	-
Total Assets	\$516,026	\$288,408	\$1,228,650

Township of Algoma, Michigan

Combined Balance Sheet All Fund Types and Account Groups

<u>Fiduciary Fund Type</u>	<u>Account Groups</u>			<u>Totals (memorandum only)</u>	
	General Fixed Assets	General Long- Term Debt		2004	2003
Agency					
\$119,657	\$ -	\$ -	\$	540,737	\$ 624,145
-	-	-		398,148	483,543
-	-	-		30,806	28,251
-	-	-		12,432	16,359
-	-	-		66,092	15,529
-	-	-		69,388	97,858
-	-	-		959	13,892
-	3,192,837	-		3,192,837	2,436,879
-	-	-		1,034,179	1,090,748
-	-	561,160		561,160	10,620
\$119,657	\$3,192,837	\$ 561,160	\$	\$5,906,738	\$4,817,824

See accompanying notes to general purpose financial statements.

	Governmental Fund Types		Proprietary Fund Type
	General	Special Revenue	Sewer Operations and Maintenance
<i>March 31, 2004</i>			
Liabilities and Fund Equity			
Liabilities			
Accounts payable	\$ 17,104	\$ 6,365	\$ -
Deposits	-	-	-
Due to other funds	-	-	-
Note payable (Note 8)	-	-	-
Deferred revenue	-	50,000	-
Compensated absences	-	-	-
Total Liabilities	17,104	56,365	-
Commitments and Contingencies (Note 7)			
Fund Equity			
Contributed capital	-	-	967,077
Retained earnings - unreserved	-	-	261,573
Investment in general fixed assets	-	-	-
Unreserved fund balances:			
Undesignated	227,576	220,147	-
Designated for ensuing year's budget	271,346	11,896	-
Total Fund Equity	498,922	232,043	1,228,650
Total Liabilities and Fund Equity	\$ 516,026	\$ 288,408	\$ 1,228,650

Township of Algoma, Michigan

Combined Balance Sheet All Fund Types and Account Groups

<u>Fiduciary Fund Type</u>	<u>Account Group</u>	<u>Totals (memorandum only)</u>		
	General Fixed Assets	General Long- Term Debt	2004	2003
\$ -	\$ -	\$ -	\$ 23,469	\$ 54,633
118,698	-	-	118,698	67,076
959	-	-	959	13,892
-	-	550,000	550,000	-
-	-	-	50,000	-
-	-	11,160	11,160	10,620
119,657	-	561,160	754,286	146,221
-	-	-	967,077	1,018,853
-	-	-	261,573	241,849
-	3,192,837	-	3,192,837	2,436,879
-	-	-	447,723	403,137
-	-	-	283,242	570,885
-	3,192,837	-	5,152,452	4,671,603
\$119,657	\$3,192,837	\$ 561,160	\$5,906,738	\$4,817,824

See accompanying notes to general purpose financial statements.

Township of Algoma, Michigan

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types

<i>Year ended March 31, 2004</i>	General	Special Revenue	Totals (memorandum only)	
			2004	2003
Revenues				
Taxes	\$ 222,605	\$ 253,462	\$ 476,067	\$ 438,018
Licenses and permits	1,941	158,278	160,219	114,656
State revenues	520,490	-	520,490	559,574
Charges for services	66,998	-	66,998	87,731
Federal funds	10,096	-	10,096	13,742
Other	22,355	47,228	69,583	68,269
Total Revenues	844,485	458,968	1,303,453	1,281,990
Expenditures				
General government	550,904	-	550,904	548,069
Fire department	-	989,219	989,219	213,409
Building department	-	120,099	120,099	112,505
Cemetery	16,645	-	16,645	11,860
Recreation	37,749	-	37,749	34,989
Federal programs	10,096	-	10,096	13,742
Highway, streets and bridges	355,241	-	355,241	279,588
Other functions	30,671	35,886	66,557	50,474
Total Expenditures	1,001,306	1,145,204	2,146,510	1,264,636
Other Financing Source				
Issuance of debt	-	600,000	600,000	-
Excess (deficiency) of revenues and other financing source over expenditures	(156,821)	(86,236)	(243,057)	17,354
Fund Balances, beginning of year	655,743	318,279	974,022	956,668
Fund Balances, end of year	\$ 498,922	\$ 232,043	\$ 730,965	\$ 974,022

See accompanying notes to general purpose financial statements.

<i>Year ended March 31, 2004</i>	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 224,500	\$ 222,605	\$ (1,895)
Licenses and permits	1,700	1,941	241
State revenues	543,622	520,490	(23,132)
Charges for services	80,000	66,998	(13,002)
Federal funds	-	10,096	10,096
Other	17,700	22,355	4,655
Total Revenues	867,522	844,485	(23,037)
Expenditures			
General government	644,952	550,904	94,048
Fire department	-	-	-
Building department	-	-	-
Cemetery	25,504	16,645	8,859
Recreation	57,084	37,749	19,335
Federal programs	-	10,096	(10,096)
Highway, streets and bridges	390,868	355,241	35,627
Other functions	50,628	30,671	19,957
Total Expenditures	1,169,036	1,001,306	167,730
Other Financing Source			
Issuance of debt	-	-	-
Excess (deficiency) of revenues and other financing source over expenditures	(301,514)	(156,821)	144,693
Fund Balances, beginning of year	655,743	655,743	-
Fund Balances, end of year	\$ 354,229	\$ 498,922	\$ 144,693

Township of Algoma, Michigan

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types

Special Revenue Funds		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 257,000	\$ 253,462	\$ (3,538)
151,000	158,278	7,278
-	-	-
-	-	-
-	-	-
37,870	47,228	9,358
445,870	458,968	13,098
-	-	-
1,128,798	989,219	139,579
152,583	120,099	32,484
-	-	-
-	-	-
-	-	-
-	-	-
35,370	35,886	(516)
1,316,751	1,145,204	171,547
600,000	600,000	-
(270,881)	(86,236)	184,645
318,279	318,279	-
\$ 47,398	\$ 232,043	\$ 184,645

See accompanying notes to general purpose financial statements.

Township of Algoma, Michigan

Statement of Revenues, Expenses and Changes in Retained Earnings Sewer Operations and Maintenance Enterprise Fund

<i>Year ended March 31,</i>	2004	2003
Operating Revenues		
Charges for services	\$ 88,452	\$ 88,095
Other	13,495	3,120
Total operating revenues	101,947	91,215
Operating Expenses		
Operations	37,968	34,955
Administrative	4,866	8,404
Depreciation	56,569	56,504
Charges from other governmental units	37,476	36,360
Total operating expenses	136,879	136,223
Operating loss	(34,932)	(45,008)
Nonoperating Income		
Interest income	2,880	4,447
Net loss	(32,052)	(40,561)
Depreciation on Contributed Assets	51,776	51,776
Increase in retained earnings	19,724	11,215
Retained Earnings, beginning of year	241,849	230,634
Retained Earnings, end of year	\$261,573	\$241,849

See accompanying notes to general purpose financial statements.

Township of Algoma, Michigan

Statement of Cash Flows Sewer Operations and Maintenance Enterprise Fund

<i>Year ended March 31.</i>	2004	2003
Operating Activities		
Operating loss	\$ (34,932)	\$ (45,008)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	56,569	56,504
Changes in operating assets and liabilities:		
Special assessments receivable	2,507	6,462
Other receivables	(1,652)	(92)
Accounts payable and other liabilities	(1,905)	1,857
Net Cash From Operating Activities	20,587	19,723
Investing Activity		
Interest earned	2,880	4,447
Capital and Related Financing Activity		
Purchase of fixed assets	-	(1,289)
Net increase in cash and cash equivalents	23,467	22,881
Cash and Cash Equivalents, beginning of year	153,326	130,445
Cash and Cash Equivalents, end of year	\$176,793	\$153,326

See accompanying notes to general purpose financial statements.

Township of Algoma, Michigan

Notes to General Purpose Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

The general purpose financial statements of the Township of Algoma (Township) contain all the funds that are controlled by, or dependent on, the Township's executive or legislative branches. Control by, or dependence on, the Township was determined on the basis of appointment of the governing authority, budget adoption, taxing authority, obligation of the Township to finance any deficits that may occur, scope of public service, and ability to significantly influence operations.

Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account groups are included in the combined general purpose financial statements in this report as follows:

Governmental Funds

General Fund - Is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Township operates three special revenue funds: Fire Department Operations, Building Department Operations, and Special Assessments. Revenue is collected in the form of voter approved taxes, permits, and special assessments.

Township of Algoma, Michigan

Notes to General Purpose Financial Statements

Proprietary Fund

An Enterprise Fund is used to account for operations that provide services to citizens financed primarily by user charges or activities where the periodic measurement of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Sewer Operations and Maintenance Fund is the only Enterprise Fund maintained by the Township.

Fiduciary Fund

Agency Funds are used to account for assets held by the Township as an agent. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Tax Collection Fund and the Trust and Agency Fund are the Agency Funds maintained by the Township.

Account Groups

General Fixed Assets Account Group - Is used to account for all fixed assets of the Township, other than those accounted for in the Proprietary Fund.

General Long-Term Debt Account Group - Is used to account for all long-term obligations of the Township, other than those accounted for in the Proprietary Fund.

Amounts in the "Totals (memorandum only)" column in the general purpose financial statements represent a summation of the general purpose financial statement line items of the fund types and account groups and are presented for analytical purposes only. The summation includes fund types and account groups that use different bases of accounting and interfund transactions that have not been eliminated.

Basis of Accounting

All governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities for the current period. The Township considers revenues available if collected within 30 days after year-end for miscellaneous revenues, 60 days after year-end for property taxes and

Township of Algoma, Michigan

Notes to General Purpose Financial Statements

state revenue sharing, and 90 days after year-end for grants. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The Proprietary Fund is accounted for using the accrual basis of accounting. Its revenues are recognized when they are earned and its expenses are recognized when they are incurred.

Budgets and Budgetary Accounting

The Township establishes budgets which are reflected in the general purpose financial statements for the General Fund and the Special Revenue Funds.

Budgeted amounts are as originally adopted or as amended during the year by the Board of Trustees. Appropriations are authorized at the department level. This is the legal level of budgetary control. Unexpended appropriations lapse at year-end.

Amendments were made to increase budgeted expenditures for bond and insurance premiums, debt service principal and interest, and building project funds.

Cash and Cash Equivalents

The Township considers cash on hand and demand deposits to be cash equivalents for the statement of cash flows. In addition, all deposits in the Kent County Pooled Cash and Investment System and municipal investment funds are considered to be cash equivalents. These deposits have the general characteristics of demand deposit accounts in that entities may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Investments

Investments are reported at fair value.

Fixed Assets

Fixed assets used in Governmental Fund Type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain or "infrastructure" fixed assets (roads, bridges, curbs and gutters, streets and sidewalks, and other similar immovable assets) are not capitalized along with other general fixed assets. Sewer service mains are capitalized in the Sewer Operations and Maintenance Fund. All

Township of Algoma, Michigan

Notes to General Purpose Financial Statements

fixed assets are valued at historical cost, or estimated cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. It is the Township's policy to capitalize any asset with a useful life longer than one year and a cost in excess of \$1,000.

Depreciation is not recorded in the General Fixed Assets Account Group. General fixed assets are removed from the Township records upon disposal. Depreciation of all exhaustible fixed assets used by the Proprietary Fund is charged as an expense against its operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets (50 years for sewer lines, 20 years for equipment, and 5 years for vehicles).

Property Taxes

The Township's property taxes are levied as an enforceable lien on property as of December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and a portion of the taxes billed on behalf of Kent County and various school districts within the Township's boundaries. Real property taxes not collected as of March 1 are turned over to Kent County for collection. The County advances the Township 100% for delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Township's treasurer. The Township's property taxes levied on December 1 provide the revenue for the current fiscal year.

A portion of the taxes billed on behalf of Kent County and various school districts within the Township's boundaries are billed on July 1. These taxes are due without penalty on September 14.

Taxes collected on behalf of school districts and Kent County are remitted to the school districts and Kent County following collection and are accounted for in the Tax Collection Fund.

The assessed and state equalized taxable value of real and personal property located in the Township totaled \$266,766,164. The Township's general operating levy for the year was based on a millage rate of 1.7593.

Township of Algoma, Michigan

Notes to General Purpose Financial Statements

Risk Management

The Township has transferred the risk of loss associated with liability, property, employee health care, workers compensation, and life insurance by purchasing insurance from commercial insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Compensated Absences

Township employees are granted vacation leave in varying amounts based on length of service. Employees may not accumulate over 10 days of vacation leave in any one fiscal year. Township employees are paid for earned but unused vacation benefits at their current rates of pay upon retirement or resignation with a two week written notice. It is the Township's policy to recognize the cost of vacation pay at the time leave is taken. Total accumulated compensated absences are reported in the General Long-Term Debt Account Group.

Full-time employees accumulate sick leave at a rate of 12 days per year. Unused sick leave accumulates from year to year to a maximum of 30 days. No portion of unused sick leave is paid to employees upon termination. It is the Township's policy to recognize the cost of sick leave at the time payments are made.

2. **Cash and Investments**

Cash

Statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

At March 31, 2004, the book balance was \$540,737 and the bank balance (without recognition of outstanding checks or deposits in transit) was \$525,833, of which \$100,000 was insured by federal depository insurance, and \$425,833 was uninsured.

Township of Algoma, Michigan

Notes to General Purpose Financial Statements

Investments

Statutes require and Board resolutions authorize the Township to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, U.S. government or federal agency obligation repurchase agreements, and mutual funds composed of the types of investment vehicles previously named.

The Township participates in the Kent County Pooled Cash and Investment System, in which the fair value of the Township's position in the pool is the same as the value of the pool shares. The balance at March 31, 2004 was \$398,148.

3. General Fixed Assets

A summary of changes in the General Fixed Assets Account Group is as follows:

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
Land	\$ 220,917	\$ 5,098	\$ -	\$ 226,015
Land improvements	632,772	-	-	632,772
Buildings	513,792	767,496	20,990	1,260,298
Building additions and improvements	131,108	-	2,382	128,726
Equipment	96,524	4,874	1,490	99,908
Vehicles	712,240	-	-	712,240
Office equipment and furniture	128,392	14,761	11,409	131,744
Radios	1,134	-	-	1,134
	\$ 2,436,879	\$ 792,229	\$ 36,271	\$ 3,192,837

4. Retirement Plan

The Township has a defined contribution pension plan covering all elected officials and full-time employees. The plan is administered by Manufacturers Life Insurance Company and plan assets are invested in fixed interest governmental, federal and corporate bonds, and commercially backed mortgages.

Township of Algoma, Michigan

Notes to General Purpose Financial Statements

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Such benefits depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. Contributions to the plan are made by the Township based upon 15% of each participant's annual compensation. Participants of the plan may make voluntary contributions up to 10% of annual compensation. Total covered payroll and total current year payroll for all employees of the Township for the year ended March 31, 2004, was \$251,890 and \$375,330, respectively.

Employees become vested in the plan immediately. Vested benefits are equal to the death benefit or cash value, which is equal to the actual annual premiums plus interest. The plan may only be amended upon Township board approval. Employer contributions for the year ended March 31, 2004 totaled \$39,357.

5. Segment Information - Enterprise Fund

The Township operates one Enterprise Fund. The significant data are as follows:

Operating revenues	\$ 101,947
Depreciation	56,569
Operating loss	(34,932)
Net loss	(32,052)
Working capital	194,471
Total assets	1,228,650
Total equity	1,228,650

6. Sewer Escrows

The Township has established escrow accounts for the funds received to date from purchasers of units in the Summit Breeze and Serenity Shores condominium developments. The escrow funds are to reimburse the Township for costs associated with operating, maintaining, repairing, and replacing the sewer system in the event the Township ever assumes responsibility for the operating and maintenance of the sewer system.

Township of Algoma, Michigan

Notes to General Purpose Financial Statements

7. Litigation

The Township is subject to various legal proceedings which normally occur in governmental operations. In the opinion of management and the Township attorney, the outcome of these lawsuits will not materially affect the financial condition of the Township and accordingly, no provision for losses has been recorded.

8. Long-Term Debt

The following is a summary of the Township's long-term debt activity:

	Beginning Balance	Additions	Reductions	Ending Balance
Installment purchase agreement	\$ -	\$ 600,000	\$ 50,000	\$ 550,000
Compensated absences	10,620	540	-	11,160
Total General Long-Term Debt	\$ 10,620	\$ 600,540	\$ 50,000	\$ 561,160

The installment purchase agreement was issued to finance the construction of a fire station. Installment payments are due March 1, 2005 through March 1, 2010 and range from \$84,000 to \$100,000. Interest is paid semiannually at a rate of 3.34%.

The annual principal and interest requirements on the installment purchase agreement is as follows:

<i>Year ending March 31,</i>	Principal	Interest	Total
2005	\$ 84,000	\$ 18,625	\$ 102,625
2006	87,000	15,781	102,781
2007	90,000	12,834	102,834
2008	93,000	9,787	102,787
2009	96,000	6,637	102,637
2010	100,000	3,386	103,386
Total	\$ 550,000	\$ 67,050	\$ 617,050

Supplemental Information

General Fund

Township of Algoma, Michigan

Schedule of Revenues Budget and Actual - General Fund

<i>Year ended March 31, 2004</i>	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes:			
Current property taxes	\$ 224,500	\$ 222,605	\$ (1,895)
Licenses and permits:			
Trailer fees	1,500	1,794	294
Animal licenses	200	147	(53)
Total licenses and permits	1,700	1,941	241
State revenues:			
Sales tax	543,622	519,050	(24,572)
Sports park grant	-	1,440	1,440
Total state revenues	543,622	520,490	(23,132)
Charges for services:			
Cemetery fees	3,000	3,905	905
Cemetery lot sales	2,000	1,800	(200)
Cable television fees	30,000	34,128	4,128
Zoning fees	25,000	7,660	(17,340)
Land division fees	1,000	560	(440)
Tax collection fees	12,000	13,080	1,080
Collection fee - late penalty on taxes	-	1,225	1,225
Mineral material removal fees	7,000	4,640	(2,360)
Total charges for services	80,000	66,998	(13,002)
Federal funds	-	10,096	10,096
Other revenues:			
Interest on investments	14,200	6,983	(7,217)
Other	3,500	15,372	11,872
Total other revenues	17,700	22,355	4,655
Total Revenues	\$ 867,522	\$ 844,485	\$ (23,037)

Township of Algoma, Michigan

Schedule of Expenditures and Other Financing Use Budget and Actual - General Fund

<i>Year ended March 31, 2004</i>	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures			
General government:			
Township board:			
Fees and per diem	\$ 7,200	\$ 7,200	\$ -
Payroll taxes	552	552	-
Insurance	580	615	(35)
Pension	1,080	1,080	-
Education	3,000	2,312	688
Memberships and dues	9,000	7,946	1,054
Miscellaneous	350	49	301
Total township board	21,762	19,754	2,008
Supervisor:			
Salaries	50,062	49,815	247
Payroll taxes	3,843	3,811	32
Insurance	2,090	1,800	290
Pension	5,400	5,400	-
Auto	750	663	87
Miscellaneous	300	-	300
Total supervisor	62,445	61,489	956
Assessor:			
Salaries	44,000	44,000	-
Payroll taxes	3,366	3,366	-
Insurance	13,665	13,889	(224)
Pension	6,600	6,600	-
Auto	2,000	1,240	760
Education	500	-	500
Membership and dues	150	188	(38)
Contracted services	7,000	129	6,871
Miscellaneous	2,000	2,700	(700)
Total assessor	79,281	72,112	7,169

Township of Algoma, Michigan

Schedule of Expenditures and Other Financing Use Budget and Actual - General Fund

<i>Year ended March 31, 2004</i>	Budget	Actual	Variance Favorable (Unfavorable)
Clerk:			
Salaries	\$ 56,670	\$ 52,455	\$ 4,215
Payroll taxes	4,342	4,013	329
Insurance	1,681	1,681	-
Pension	5,400	5,400	-
Printing and publishing	5,000	3,161	1,839
Auto	600	403	197
Miscellaneous	300	205	95
Total clerk	73,993	67,318	6,675
Treasurer:			
Salaries	54,550	52,914	1,636
Payroll taxes	4,180	4,048	132
Insurance	1,670	1,752	(82)
Pension	5,400	5,400	-
Contracted services	20,625	18,695	1,930
Auto	500	393	107
Miscellaneous	1,300	227	1,073
Total treasurer	88,225	83,429	4,796
Township hall and grounds:			
Salaries	17,824	15,974	1,850
Payroll taxes	1,365	1,222	143
Pension	1,275	1,275	-
Contracted services	74,400	66,031	8,369
Capital outlay	29,500	20,724	8,776
Repairs and maintenance	500	-	500
Utilities	10,950	6,579	4,371
Office supplies	6,000	5,939	61
Postage	6,200	5,714	486
Escrow account expenditures	15,000	(3,016)	18,016
Demolition	5,000	(8,087)	13,087
Miscellaneous	11,100	6,786	4,314
Total township hall and grounds	179,114	119,141	59,973

Township of Algoma, Michigan

Schedule of Expenditures and Other Financing Use Budget and Actual - General Fund

<i>Year ended March 31, 2004</i>	Budget	Actual	Variance Favorable (Unfavorable)
Planning commission:			
Fees and per diem	\$ 12,000	\$ 8,031	\$ 3,969
Payroll taxes	919	614	305
Contracted services	76,355	73,900	2,455
Miscellaneous	1,350	795	555
Total planning commission	90,624	83,340	7,284
Site plan committee	3,876	3,795	81
Board of appeals:			
Fees and per diem	3,000	2,701	299
Payroll taxes	230	207	23
Contracted services	500	-	500
Miscellaneous	300	189	111
Total board of appeals	4,030	3,097	933
Board of review	1,100	467	633
Elections	1,430	183	1,247
Audit	8,500	5,677	2,823
Attorney fees	30,572	31,102	(530)
Total general government	644,952	550,904	94,048
Cemetery:			
Contracted services	5,524	5,329	195
Maintenance	18,380	11,129	7,251
Utilities	100	87	13
Miscellaneous	1,500	100	1,400
Total cemetery	25,504	16,645	8,859

Township of Algoma, Michigan

Schedule of Expenditures and Other Financing Use Budget and Actual - General Fund

<i>Year ended March 31, 2004</i>	Budget	Actual	Variance Favorable (Unfavorable)
Recreation:			
Park maintenance	\$ 57,084	\$ 37,749	\$ 19,335
Federal programs	-	10,096	(10,096)
Highways, streets, and bridges:			
Sewer administration	2,692	-	2,692
Maintenance	374,000	347,255	26,745
Drains	12,400	6,210	6,190
Engineering	1,776	1,776	-
Total highways, streets, and bridges	390,868	355,241	35,627
Other functions:			
Insurance and bonds	18,972	14,887	4,085
Historical society	2,550	2,481	69
Social services	9,000	8,303	697
Rockford D.A.R.E.	5,000	5,000	-
Contingency	15,106	-	15,106
Total other functions	50,628	30,671	19,957
Total Expenditures	\$1,169,036	\$1,001,306	\$ 167,730

Special Revenue Funds

Township of Algoma, Michigan

Combining Balance Sheet Special Revenue Funds

<i>March 31, 2004</i>	Fire Department	Building Department	Special Assessments	Total
Assets				
Cash	\$ 33,417	\$92,754	\$ 32,317	\$158,488
Investments	61,368	-	-	61,368
Taxes receivable	16,700	-	-	16,700
Special assessments receivable	-	-	1,852	1,852
Accounts receivable	50,000	-	-	50,000
Total Assets	\$161,485	\$92,754	\$ 34,169	\$288,408
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 173	\$ 3,817	\$ 2,375	\$ 6,365
Deferred revenue	50,000	-	-	50,000
Total Liabilities	50,173	3,817	2,375	56,365
Fund Balances	111,312	88,937	31,794	232,043
Total Liabilities and Fund Balances	\$161,485	\$92,754	\$ 34,169	\$288,408

Township of Algoma, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds

<i>Year ended March 31, 2004</i>	Fire Department	Building Department	Special Assessments	Total
Revenues				
Current property taxes	\$ 253,462	\$ -	\$ -	\$ 253,462
Building permits	-	158,278	-	158,278
Special assessments	-	-	33,715	33,715
Interest on investments	2,129	475	-	2,604
Other	10,152	25	732	10,909
Total Revenues	265,743	158,778	34,447	458,968
Expenditures				
Administration	115,130	82,249	596	197,975
Operations	873,297	-	-	873,297
Fire prevention	792	-	-	792
Contracted services	-	37,850	35,290	73,140
Total Expenditures	989,219	120,099	35,886	1,145,204
Other Financing Source				
Issuance of debt	600,000	-	-	600,000
Excess (deficiency) of revenues and other financing source over expenditures	(123,476)	38,679	(1,439)	(86,236)
Fund Balances, beginning of year	234,788	50,258	33,233	318,279
Fund Balances, end of year	\$ 111,312	\$ 88,937	\$31,794	\$ 232,043

Township of Algoma, Michigan

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Fire Department Special Revenue Fund

<i>Year ended March 31, 2004</i>	Budget	Actual (Unfavorable)	Variance Favorable
Revenues			
Current property taxes	\$ 257,000	\$ 253,462	\$ (3,538)
Interest on investments	500	2,129	1,629
Other	1,000	10,152	9,152
Total Revenues	258,500	265,743	7,243
Expenditures			
Administration:			
Salaries	95,000	84,816	10,184
Payroll taxes	7,268	6,635	633
Pension	5,025	5,025	-
Education	3,000	870	2,130
Medical	2,000	1,714	286
Auto	200	-	200
Insurance	18,300	12,452	5,848
Office supplies	500	517	(17)
Memberships and dues	1,250	965	285
Postage	250	26	224
Miscellaneous	4,450	2,110	2,340
Total administration	137,243	115,130	22,113
Operations:			
Repair and maintenance	23,000	11,215	11,785
Capital outlay	934,000	839,341	94,659
Utilities	12,805	9,906	2,899
Gas	5,500	2,892	2,608
County assessment	10,000	9,928	72
Miscellaneous	50	15	35
Total operations	985,355	873,297	112,058

Township of Algoma, Michigan

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Fire Department Special Revenue Fund

<i>Year ended March 31, 2004</i>	Budget	Actual (Unfavorable)	Variance Favorable
Fire prevention:			
Public relations	\$ 2,000	\$ 442	\$ 1,558
Education	500	316	184
Miscellaneous	200	34	166
Total fire prevention	2,700	792	1,908
Contingency	3,500	-	3,500
Total Expenditures	1,128,798	989,219	139,579
Other Financing Source			
Issuance of debt	600,000	600,000	-
Excess (deficiency) of revenues and other financing source over expenditures	(270,298)	(123,476)	146,822
Fund Balances, beginning of year	234,788	234,788	-
Fund Balances, end of year	\$ (35,510)	\$ 111,312	\$146,822

Township of Algoma, Michigan

Statement of Revenue, Expenditures and Changes in Fund Balance Budget and Actual - Building Department Special Revenue Fund

<i>Year ended March 31, 2004</i>	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Building permits	\$ 151,000	\$ 158,278	\$ 7,278
Interest	1,000	475	(525)
Miscellaneous	-	25	25
Total Revenues	152,000	158,778	6,778
Expenditures			
Contracted services	56,250	37,850	18,400
Professional services	3,500	-	3,500
Salaries	51,282	49,988	1,294
Payroll taxes	3,926	3,824	102
Pension	6,975	6,975	-
Insurance	11,650	10,903	747
Office space and supplies	13,000	6,801	6,199
Education and meetings	750	573	177
Utilities	1,000	699	301
Auto	1,500	1,558	(58)
Contingency	450	-	450
Audit	500	500	-
Miscellaneous	1,800	428	1,372
Total Expenditures	152,583	120,099	32,484
Excess (deficiency) of revenues over expenditures	(583)	38,679	39,262
Fund Balance, beginning of year	50,258	50,258	-
Fund Balance, end of year	\$ 49,675	\$ 88,937	\$ 39,262

Township of Algoma, Michigan

Statement of Revenues, Expenditure and Changes in Fund Balance Budget and Actual - Special Assessment Special Revenue Fund

<i>Year ended March 31, 2004</i>	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Special assessments	\$34,650	\$33,715	\$ (935)
Other	720	732	12
Total Revenues	35,370	34,447	(923)
Expenditures			
Utilities	720	596	124
Contracted services	34,650	35,290	(640)
Total Expenditures	35,370	35,886	(516)
Excess of revenues over expenditures	-	(1,439)	(1,439)
Fund Balance, beginning of year	33,233	33,233	-
Fund Balance, end of year	\$33,233	\$31,794	\$ (1,439)

Agency Funds

Township of Algoma, Michigan

Statement of Changes in Assets and Liabilities Agency Funds

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
<i>Trust and Agency Fund</i>				
Assets				
Cash	\$67,672	\$ 147,610	\$ 96,494	\$ 118,788
Accounts receivable	10,083	-	10,083	-
Total Assets	\$77,755	\$ 147,610	\$ 106,577	\$ 118,788
Liabilities				
Deposits	\$21,522	\$ 140,808	\$ 89,401	\$ 72,929
Due to other funds	10,679	90	10,679	90
Sewer escrows	45,554	215	-	45,769
Total Liabilities	\$77,755	\$ 141,113	\$ 100,080	\$ 118,788
<i>Tax Collection Fund</i>				
Assets				
Cash	\$ 3,213	\$7,462,953	\$7,465,297	\$ 869
Liabilities				
Due to other governmental units	\$ -	\$7,465,297	\$7,465,297	\$ -
Due to other funds	3,213	869	3,213	869
Total Liabilities	\$ 3,213	\$7,466,166	\$7,468,510	\$ 869

Township of Algoma, Michigan

Statement of Changes in Assets and Liabilities Agency Funds

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
Total - All Agency Funds				
Assets				
Cash	\$70,885	\$7,610,563	\$7,561,791	\$ 119,657
Accounts receivable	10,083	-	10,083	-
Total Assets	\$80,968	\$7,610,563	\$7,571,874	\$ 119,657
Liabilities				
Deposits	\$21,522	\$ 140,808	\$ 89,401	\$ 72,929
Due to other funds	13,892	959	13,892	959
Due to other governmental units	-	7,465,297	7,465,297	-
Sewer escrows	45,554	215	-	45,769
Total Liabilities	\$80,968	\$7,607,279	\$7,568,590	\$ 119,657